

**BCLUW
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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BCLUW COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

BOARD OF EDUCATION

(Before September, 2004 Election)

| | | |
|----------------|----------------|------|
| Shane Tiernan | President | 2006 |
| Scott Neff | Vice President | 2006 |
| Sharon Johnson | | 2005 |
| Kristen Garber | | 2004 |
| Dana LaMothe | | 2004 |
| Heidi Strang | | 2004 |
| Mary Morris | | 2005 |

(After September, 2004 Election)

| | | |
|----------------|----------------|------|
| Shane Tiernan | President | 2006 |
| Scott Neff | Vice President | 2006 |
| Sharon Johnson | | 2005 |
| Kristen Garber | | 2007 |
| Dana LaMothe | | 2007 |
| Heidi Strang | | 2007 |
| Mary Morris | | 2005 |

SCHOOL OFFICIALS

| | |
|--------------|----------------------------------|
| Mike Ashton | Superintendent |
| Paula Benson | District Secretary/ Treasurer |

Independent Auditor's Report

To The Board of Education of the
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of BCLUW Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated July 28, 2005 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BCLUW Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

July 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW COMMUNITY SCHOOL DISTRICT

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,877,590 in fiscal 2004 to \$5,120,266 in fiscal 2005, while General Fund expenditures increased from \$4,641,299 in fiscal year 2004 to \$4,867,295 in fiscal 2005.
- The increase in General Fund revenues was attributable to increases in instructional support income surtax, tuition and state foundation aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, utilities and fuel expenditures. The General Fund balance increased due to the increased revenues while holding expenditures in line.
- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition. A new 3 level press box was constructed at the high school. This was paid for by a large donation. The advanced construction class built a storage shed and remodeled the concession stand and bathrooms at the softball complex. Other projects included new fire alarm systems at the high school and elementary buildings, a new roof on the 1969 portion of the high school and tuckpointing on the elementary school.
- A new 85 passenger bus was purchased for \$67,190. The computer labs were updated with the purchase of 21 macs, 24 Ibooks and 4 laser printers.
- The District began receiving School Infrastructure Local Option Sales Tax from all resident counties beginning July 1, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
BCLUW Community School District

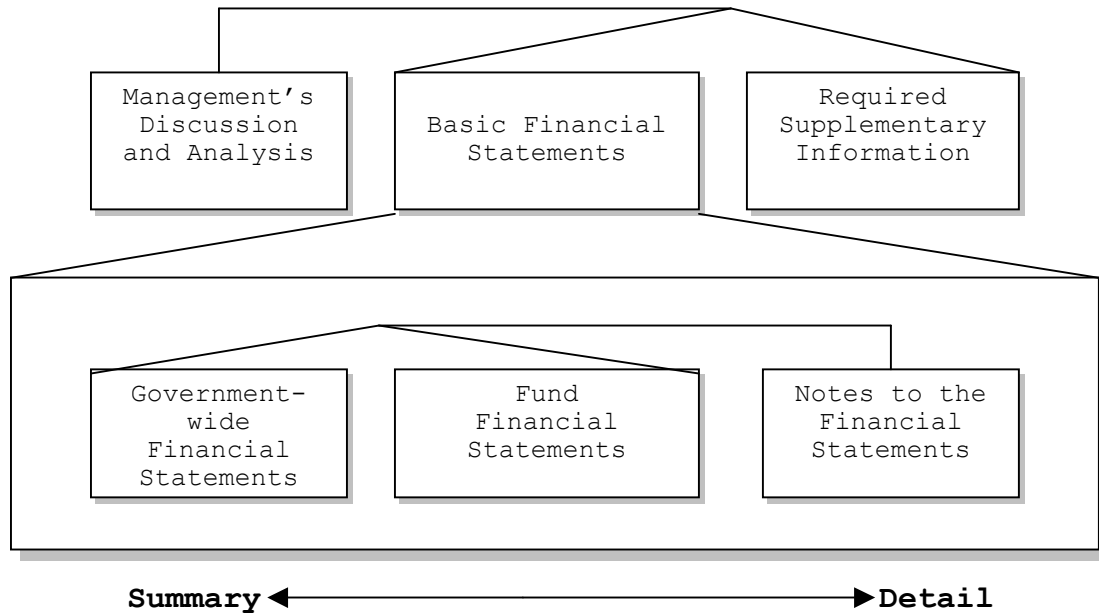


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

| | Government-Wide Statements | Fund Financial Statements | | |
|--|--|---|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district | The activities of the district that are not proprietary, such as special education and building maintenance | Activities the district operates similar to private businesses, such as food service | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | . Statement of net assets . Statement of activities | . Balance sheet . Statement of revenues, expenditures, and changes in fund balances | . Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows | . Statement of fiduciary net assets . Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

- Flex Benefit Trust Fund - This is the fund through which the District administers and accounts for flex benefits that are withheld from employees payroll and paid to service providers.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3

Condensed Statement of Net Assets (expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change |
|--|----------------------------|---------------|-----------------------------|-----------|--------------------------|---------------|----------------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2004-2005 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current assets | 4,715 | 5,097 | 44 | 40 | 4,759 | 5,137 | -7.36% |
| Capital assets | 6,179 | 6,229 | 25 | 30 | 6,204 | 6,259 | -0.88% |
| Total assets | <u>10,894</u> | <u>11,326</u> | <u>69</u> | <u>70</u> | <u>10,963</u> | <u>11,396</u> | <u>-3.80%</u> |
| Current liabilities | 3,336 | 3,924 | - | - | 3,336 | 3,924 | -14.98% |
| Non-current liabilities | 3,700 | 3,925 | - | - | 3,700 | 3,925 | -5.73% |
| Total liabilities | <u>7,036</u> | <u>7,849</u> | <u>-</u> | <u>-</u> | <u>7,036</u> | <u>7,849</u> | <u>-10.36%</u> |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 2,254 | 2,089 | 25 | 30 | 2,279 | 2,119 | 7.55% |
| Restricted | 488 | 514 | - | - | 488 | 514 | -5.06% |
| Unrestricted | 1,116 | 874 | 44 | 40 | 1,160 | 914 | 26.91% |
| Total net assets | <u>3,858</u> | <u>3,477</u> | <u>69</u> | <u>70</u> | <u>3,927</u> | <u>3,547</u> | <u>10.71%</u> |

The District's combined net assets were 11% greater at June 30, 2005 than June 30, 2004. The increase occurred as a combined result of increased revenue from all sources and controlled increases in spending.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

| | Governmental Activities | Business-type Activities | Total School District |
|--|----------------------------|-----------------------------|-----------------------------|
| | \$ | \$ | \$ |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for service and sales | 451 | 184 | 635 |
| Operating grants, contributions and restricted interest | 841 | 101 | 942 |
| General revenues: | | | |
| Property tax | 2,447 | - | 2,447 |
| Income surtax | 269 | - | 269 |
| Local option sales tax | 230 | - | 230 |
| Unrestricted state grants | 2,011 | - | 2,011 |
| Unrestricted investment earnings | 30 | - | 30 |
| Other | 22 | - | 22 |
| Total revenues | <u>6,301</u> | <u>285</u> | <u>6,586</u> |
| Program expenses: | | | |
| Governmental activities: | | | |
| Instruction | 3,361 | - | 3,361 |
| Support Services | 1,765 | - | 1,765 |
| Non-instructional programs | 1 | 286 | 287 |
| Other expenses | 792 | - | 792 |
| Total expenses | <u>5,919</u> | <u>286</u> | <u>6,205</u> |
| Change in net assets | <u>382</u> | <u>(1)</u> | <u>381</u> |

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,549,807 and expenses were \$5,919,971.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

| Figure A-5 | | |
|--|-----------------------------------|---------------------------------|
| Total and Net Cost of Governmental Activities | | |
| (expressed in thousands) | | |
| | Total Cost of Services | Net Cost of Services |
| | \$ | \$ |
| Instruction | 3,361 | 2,338 |
| Support Services | 1,765 | 1,681 |
| Non-instructional programs | 1 | 1 |
| Other expenses | <u>792</u> | <u>608</u> |
| Totals | <u>5,919</u> | <u>4,628</u> |

- The cost financed by users of the District's programs was \$450,371.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$478,145.
- The net cost of governmental activities was financed with \$2,446,427 in property tax, \$1,992,148 in state foundation aid, and \$30,491 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$284,718 and expenses were \$285,412. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District held meal prices steady. Cash balance in the Nutrition Fund increased by over \$4,000. The fund balance decreased slightly due to depreciation on equipment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted BCLUW Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 1,631,133, a sixteen percent increase over last year's ending fund balances of \$1,404,465. The largest increase was in the Capital Projects Fund. This is a result of receiving school infrastructure local option sales tax monies primarily from Marshall County.

Governmental Fund Highlights

- The District increased its General Fund balance by increased revenues and holding the line on expense increases.
- The District used PPEL Funds, Capital Projects, sales tax revenues and donations to complete a large number of building projects during the year.

Proprietary Fund Highlights

Cash balance increased by over \$4,000 as a result of increased revenues. Expense were held steady.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's receipts were \$34,480 less than budgeted receipts, a variance of less than 1%. No significant variances occurred in any particular area.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of less than 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$188,776.

The original cost of the District's capital assets was \$9,960,437. Governmental funds account for \$9,887,592, with the remainder of \$72,845 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(expressed in thousands)

| | Governmental | | Business-type | | Total | | Total |
|-------------------------|--------------|-------|---------------|------|-----------------|-------|-----------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2004-2005 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 80 | 80 | - | - | 80 | 80 | 0.00% |
| Buildings | 5,993 | 6,075 | - | - | 5,993 | 6,075 | -1.35% |
| Furniture and equipment | 106 | 73 | 25 | 29 | 131 | 102 | 28.43% |
| Totals | 6,179 | 6,228 | 25 | 29 | 6,204 | 6,257 | -0.85% |

Long-Term Debt

At June 30, 2005, the District had \$3,925,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. Early retirement liability is all payable in the fiscal year ending June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

| | Total | | Total |
|--------------------------|-----------------|--------------|------------------|
| | District | | Change |
| | June 30, | | June 30, |
| | 2005 | 2004 | 2004-2005 |
| | \$ | \$ | |
| General obligation bonds | 3,925 | 4,140 | -5.19% |
| Early retirement payable | 11 | - | 100.00% |
| Totals | <u>3,936</u> | <u>4,140</u> | <u>-4.93%</u> |

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax that was passed will keep the District's facilities in good shape and new and safe vehicles for our students.
- The District has experienced declining enrollment the past several years.
- Even with 2% allowable growth for 2004-2005, we saw no new money, due to the declining enrollment and with the budget guarantee being phased out, we will be forced to trim costs.
- Health insurance continues to increase each year and will soon be unattainable for many families.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District, "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34 to name a few.
- The School District has completed its third year of participation in the Lighthouse Study. The District has seen increased student achievement in reading and continues to focus on quality staff development.
- An application was made to the School Budget Review Committee (SBRC) to convert to GAAP Accounting retroactive of the 2004-2005 school year to grant the District additional allowable growth to protect the District's unspent balance (\$342,806).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Ashton, Superintendent, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

Basic Financial Statements

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and pooled investments | 2,020,977 | 37,055 | 2,058,032 |
| Receivables: | | | |
| Property tax: | | | |
| Current year | 29,367 | - | 29,367 |
| Succeeding year | 2,309,258 | - | 2,309,258 |
| Income surtax - succeeding year | 248,323 | - | 248,323 |
| Due from other governments | 27,536 | - | 27,536 |
| Other receivables | 79,482 | - | 79,482 |
| ISCAP accrued interest receivable | 45 | - | 45 |
| Inventories | - | 7,187 | 7,187 |
| Capital assets, net of accumulated depreciation | 6,178,879 | 25,049 | 6,203,928 |
| Total assets | <u>10,893,867</u> | <u>69,291</u> | <u>10,963,158</u> |
| Liabilities | | | |
| Accounts payable | 27,837 | - | 27,837 |
| Salaries and benefits payable | 498,437 | - | 498,437 |
| Accrued interest payable | 15,662 | - | 15,662 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,309,258 | - | 2,309,258 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 225,000 | - | 225,000 |
| Early retirement payable | 11,073 | - | 11,073 |
| Portion due after one year: | | | |
| General obligation bonds payable | 3,700,000 | - | 3,700,000 |
| Total liabilities | <u>6,787,267</u> | <u>-</u> | <u>6,787,267</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 2,253,879 | 25,049 | 2,278,928 |
| Restricted for: | | | |
| Management levy | 27,035 | - | 27,035 |
| Student activities | 133,884 | - | 133,884 |
| Physical plant and equipment levy | 116,244 | - | 116,244 |
| Public education and recreation levy | 8,375 | - | 8,375 |
| Debt service | 20,340 | - | 20,340 |
| SILO tax | 182,787 | - | 182,787 |
| Unrestricted | 1,364,056 | 44,242 | 1,408,298 |
| Total net assets | <u>4,106,600</u> | <u>69,291</u> | <u>4,175,891</u> |

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

| | Program Revenues | | | | | Total |
|---|------------------|---------------------|---|-------------------------|--------------------------|--------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business-Type Activities | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Functions/Programs | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | 2,233,488 | 349,224 | 163,653 | (1,720,611) | - | (1,720,611) |
| Special instruction | 432,277 | 47,914 | 147,142 | (237,221) | - | (237,221) |
| Other instruction | 696,215 | - | 315,608 | (380,607) | - | (380,607) |
| | <u>3,361,980</u> | <u>397,138</u> | <u>626,403</u> | <u>(2,338,439)</u> | <u>-</u> | <u>(2,338,439)</u> |
| Support services: | | | | | | |
| Student services | 130,615 | - | 2,520 | (128,095) | - | (128,095) |
| Instructional staff services | 190,780 | - | - | (190,780) | - | (190,780) |
| Administration services | 638,098 | 53,233 | - | (584,865) | - | (584,865) |
| Operation and maintenance of plant services | 501,264 | - | 27,070 | (474,194) | - | (474,194) |
| Transportation services | 303,943 | - | 999 | (302,944) | - | (302,944) |
| | <u>1,764,700</u> | <u>53,233</u> | <u>30,589</u> | <u>(1,680,878)</u> | <u>-</u> | <u>(1,680,878)</u> |
| Non-instructional programs: | | | | | | |
| Food service operations | 681 | - | - | (681) | - | (681) |
| Other expenditures: | | | | | | |
| AEA flowthrough | 181,168 | - | 181,168 | - | - | - |
| Long-term debt interest | 198,538 | - | 2,129 | (196,409) | - | (196,409) |
| Long-term debt services | 300 | - | - | (300) | - | (300) |
| Facilities acquisition and construction | 228,675 | - | 977 | (227,698) | - | (227,698) |
| Depreciation (unallocated)* | 183,929 | - | - | (183,929) | - | (183,929) |
| | <u>792,610</u> | <u>-</u> | <u>184,274</u> | <u>(608,336)</u> | <u>-</u> | <u>(608,336)</u> |
| Total governmental activities | 5,919,971 | 450,371 | 841,266 | (4,628,334) | - | (4,628,334) |

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

| | Program Revenues | | | | | Total |
|----------------------------------|------------------|---------------------|---|-------------------------|--------------------------|------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business-Type Activities | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Business-Type activities: | | | | | | |
| Non-instructional programs: | | | | | | |
| Nutrition services | 285,412 | 183,752 | 100,966 | - | (694) | (694) |
| Total | <u>6,205,383</u> | <u>634,123</u> | <u>942,232</u> | (4,628,334) | (694) | (4,629,028) |
| General revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | 1,835,986 | - | 1,835,986 |
| Management fund | | | | 119,849 | - | 119,849 |
| Debt service | | | | 407,946 | - | 407,946 |
| Capital outlay | | | | 58,930 | - | 58,930 |
| Public education and recreation | | | | 23,716 | - | 23,716 |
| Income surtax | | | | 517,081 | - | 517,081 |
| Local option sales tax | | | | 230,541 | - | 230,541 |
| Unrestricted state grants | | | | 2,011,295 | - | 2,011,295 |
| Unrestricted investment earnings | | | | 30,491 | - | 30,491 |
| Other | | | | 22,335 | - | 22,335 |
| Total general revenue | | | | <u>5,258,170</u> | - | <u>5,258,170</u> |
| Change in net assets | | | | 629,836 | (694) | 629,142 |
| Net assets beginning of year | | | | <u>3,476,764</u> | <u>69,985</u> | <u>3,546,749</u> |
| Net assets end of year | | | | <u>4,106,600</u> | <u>69,291</u> | <u>4,175,891</u> |

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|--|------------------|-----------------|---------------------|--------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 1,533,094 | 31,140 | 173,624 | 283,119 | 2,020,977 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 22,086 | 4,862 | - | 2,419 | 29,367 |
| Succeeding year | 1,683,691 | 413,095 | - | 212,472 | 2,309,258 |
| Income surtax - succeeding year | 248,323 | - | - | - | 248,323 |
| Due from other governments | - | - | 27,536 | - | 27,536 |
| Other receivables | 79,482 | - | - | - | 79,482 |
| ISCAP accrued interest receivable | 45 | - | - | - | 45 |
| Total assets | <u>3,566,721</u> | <u>449,097</u> | <u>201,160</u> | <u>498,010</u> | <u>4,714,988</u> |
| Liabilities and Fund Balance | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 9,464 | - | 18,373 | - | 27,837 |
| Salaries and benefits payable | 498,437 | - | - | - | 498,437 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 1,683,691 | 413,095 | - | 212,472 | 2,309,258 |
| Succeeding year income surtax | 248,323 | - | - | - | 248,323 |
| Total liabilities | <u>2,439,915</u> | <u>413,095</u> | <u>18,373</u> | <u>212,472</u> | <u>3,083,855</u> |
| Fund balances: | | | | | |
| Reserved for debt service | - | 36,002 | - | - | 36,002 |
| Reserved for SILO tax | - | - | 182,787 | - | 182,787 |
| Unreserved | 1,126,806 | - | - | 285,538 | 1,412,344 |
| Total fund equity and other credits | <u>1,126,806</u> | <u>36,002</u> | <u>182,787</u> | <u>285,538</u> | <u>1,631,133</u> |
| Total liabilities and fund balances | <u>3,566,721</u> | <u>449,097</u> | <u>201,160</u> | <u>498,010</u> | <u>4,714,988</u> |

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

| | |
|--|---------------------|
| Total fund balances of governmental funds (Exhibit C) | \$ 1,631,133 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. | 248,323 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 6,178,879 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds | (15,662) |
| Long-term liabilities, including bonds and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(3,936,073)</u> |
| Net assets of governmental activities (Exhibit A) | <u>\$ 4,106,600</u> |

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|---|------------------|-----------------|---------------------|--------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources | | | | | |
| Local tax | 2,104,745 | 407,946 | 230,541 | 202,495 | 2,945,727 |
| Tuition | 321,512 | - | - | - | 321,512 |
| Other | 204,569 | 2,129 | 977 | 337,130 | 544,805 |
| State sources | 2,369,727 | - | - | - | 2,369,727 |
| Federal sources | 119,713 | - | - | - | 119,713 |
| Total revenues | <u>5,120,266</u> | <u>410,075</u> | <u>231,518</u> | <u>539,625</u> | <u>6,301,484</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 2,192,980 | - | - | 29,435 | 2,222,415 |
| Special instruction | 432,277 | - | - | - | 432,277 |
| Other instruction | 381,615 | - | - | 314,600 | 696,215 |
| | <u>3,006,872</u> | <u>-</u> | <u>-</u> | <u>344,035</u> | <u>3,350,907</u> |
| Support services: | | | | | |
| Student services | 130,615 | - | - | - | 130,615 |
| Instructional staff services | 190,780 | - | - | - | 190,780 |
| Administration services | 625,832 | - | - | 12,266 | 638,098 |
| Operation and maintenance of plant services | 450,775 | - | - | 50,489 | 501,264 |
| Transportation services | 280,785 | - | - | 23,158 | 303,943 |
| | <u>1,678,787</u> | <u>-</u> | <u>-</u> | <u>85,913</u> | <u>1,764,700</u> |

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|---|-----------|-----------------|---------------------|--------------------------------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Expenditures (continued): | | | | | |
| Non-instructional programs: | | | | | |
| Food service operations | 468 | - | - | 213 | 681 |
| Other expenditures: | | | | | |
| AEA flowthrough | 181,168 | - | - | - | 181,168 |
| Long-term debt: | | | | | |
| Principal | - | 215,000 | - | - | 215,000 |
| Interest | - | 199,501 | - | - | 199,501 |
| Services | - | 300 | - | - | 300 |
| Facilities acquisition and construction | - | - | 48,731 | 313,828 | 362,559 |
| | 181,168 | 414,801 | 48,731 | 313,828 | 958,528 |
| Total expenditures | 4,867,295 | 414,801 | 48,731 | 743,989 | 6,074,816 |
| Excess of revenues over expenditures | 252,971 | (4,726) | 182,787 | (204,364) | 226,668 |
| Fund balances beginning of year | 873,835 | 40,728 | - | 489,902 | 1,404,465 |
| Fund balances end of year | 1,126,806 | 36,002 | 182,787 | 285,538 | 1,631,133 |

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ 226,668

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 248,323

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | |
|----------------------|----------|
| Capital outlay | |
| Depreciation expense | (50,045) |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 215,000

Additions to long-term liabilities increases expenses in the Statement of Net Assets.

| | |
|------------------|----------|
| Early retirement | (11,073) |
|------------------|----------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 963

Change in net assets of governmental activities (Exhibit B) \$ 629,836

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2005

| | School Nutrition |
|------------------------------|----------------------|
| | <u>\$</u> |
| Operating revenue: | |
| Local sources: | |
| Charges for services | <u>183,752</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 88,403 |
| Benefits | 13,934 |
| Services | 50 |
| Supplies | 178,178 |
| Depreciation | <u>4,847</u> |
| Total operating expenses | <u>285,412</u> |
| Operating (loss) | <u>(101,660)</u> |
| Non-operating revenues: | |
| State sources | 3,748 |
| Federal sources | 97,026 |
| Interest income | <u>192</u> |
| | <u>100,966</u> |
| Changes in net assets | (694) |
| Net assets beginning of year | <u>69,985</u> |
| Net assets end of year | <u><u>69,291</u></u> |

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

| | School Nutrition |
|---|----------------------|
| | <u>\$</u> |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 183,752 |
| Cash payments to employees for services | (102,337) |
| Cash payments to suppliers for goods or services | (160,548) |
| Net cash (used in) operating activities | <u>(79,133)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 3,748 |
| Federal grants received | 80,690 |
| Net cash provided by non-capital financing activities | <u>84,438</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>192</u> |
| Net increase in cash and cash equivalents | 5,497 |
| Cash and cash equivalents beginning of year | <u>31,558</u> |
| Cash and cash equivalents end of year | <u><u>37,055</u></u> |
| Reconciliation of operating income (loss) to net cash used in operating activities: | |
| Operating (loss) | (101,660) |
| Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities: | |
| Depreciation | 4,847 |
| Commodities used | 16,336 |
| Decrease in inventory | 1,344 |
| | <u>(79,133)</u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet: | |
| Current assets: | |
| Cash | <u><u>37,055</u></u> |
| Non-cash investing, capital and financing activities: | |

During the year ended June 30, 2005, the District received federal commodities valued at \$16,336.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

| | Flex Benefits Fund |
|------------------------------|--------------------------|
| | \$ |
| Additions: | |
| Local sources: | |
| Miscellaneous | - |
| Total additions | - |
| Deductions: | |
| Regular instruction: | |
| Benefits | 941 |
| Support services: | |
| Scholarships | - |
| Total deductions | 941 |
| Change in net assets | (941) |
| Net assets beginning of year | 941 |
| Net assets end of year | - |

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union & Whitten, Iowa, and agricultural area in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, BCLUW Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The BCLUW Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Marshall County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through benefits payments.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| | |
|-----------------------------------|----------|
| Land | \$ 1,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 10,000 |
| Other furniture and equipment | 10,000 |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| | |
|-----------------------------------|-------------|
| Buildings | 50 years |
| Improvements other than buildings | 20-50 years |
| Furniture and equipment | 5-15 years |

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) **Cash and Pooled Investments**

| | Balance Beginning Of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 80,000 | - | - | 80,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 8,916,292 | 93,904 | - | 9,010,196 |
| Furniture and Equipment | 757,416 | 39,980 | - | 797,396 |
| Total capital assets being depreciated | 9,673,708 | 133,884 | - | 9,807,592 |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,841,070 | 175,934 | - | 3,017,004 |
| Furniture and Equipment | 683,714 | 7,995 | - | 691,709 |
| Total accumulated depreciation | 3,524,784 | 183,929 | - | 3,708,713 |
| Total capital assets being depreciated, net | 6,148,924 | (50,045) | - | 6,098,879 |
| Governmental activities, capital assets, net | 6,228,924 | (50,045) | - | 6,178,879 |

| | Balance Beginning Of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|----------------|-----------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Business type activities: | | | | |
| Furniture and equipment | 72,845 | 0 | - | 72,845 |
| Less accumulated depreciation | <u>42,949</u> | <u>4,847</u> | - | <u>47,796</u> |
| Business type activities capital assets, net | <u>29,896</u> | <u>(4,847)</u> | - | <u>25,049</u> |

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated 183,929

Business Type activities:

Food service operations 4,847

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$170,724, \$168,949, and \$163,199 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$181,168 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

BCLUW Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

| | Governmental Fund Types | Proprietary Fund Type | Total | Budgeted Amounts | | Final to Actual |
|---|----------------------------|--------------------------|-----------|------------------|-----------|--------------------|
| | Actual | Actual | Actual | Original | Final | Variance - |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Receipts: | | | | | | |
| Local sources | 3,891,530 | 183,944 | 4,075,474 | 4,054,598 | 4,054,598 | 20,876 |
| State sources | 2,369,727 | 3,748 | 2,373,475 | 2,393,084 | 2,393,084 | (19,609) |
| Federal sources | 119,713 | 80,690 | 200,403 | 173,000 | 173,000 | 27,403 |
| Total receipts | 6,380,970 | 268,382 | 6,649,352 | 6,620,682 | 6,620,682 | 28,670 |
| Disbursements: | | | | | | |
| Instruction | 3,340,959 | - | 3,340,959 | 3,617,500 | 3,617,500 | 276,541 |
| Support services | 1,764,700 | - | 1,764,700 | 1,935,657 | 1,935,657 | 170,957 |
| Non-instructional programs | 681 | 262,885 | 263,566 | 290,000 | 290,000 | 26,434 |
| Other expenditures | 958,528 | - | 958,528 | 991,244 | 991,244 | 32,716 |
| Total disbursements | 6,064,868 | 262,885 | 6,327,753 | 6,834,401 | 6,834,401 | 506,648 |
| Excess (deficiency) of receipts over (under) disbursements | 316,102 | 5,497 | 321,599 | (213,719) | (213,719) | 535,318 |
| Other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 316,102 | 5,497 | 321,599 | (213,719) | (213,719) | 535,318 |
| Balance beginning of year | 1,704,875 | 31,558 | 1,736,433 | 1,560,983 | 1,560,983 | 175,450 |
| Balance end of year | 2,020,977 | 37,055 | 2,058,032 | 1,347,264 | 1,347,264 | 710,768 |

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

| | Governmental Fund Type | | |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| | Cash | Accrual | Modified |
| | <u>Basis</u> | <u>Adjustments</u> | <u>Basis</u> |
| | \$ | \$ | \$ |
| Revenues | 6,380,970 | (79,486) | 6,301,484 |
| Expenditures | <u>6,064,868</u> | <u>9,948</u> | <u>6,074,816</u> |
| Net | 316,102 | (89,434) | 226,668 |
| Other financing sources (uses) | - | - | - |
| Beginning fund balances | <u>1,704,875</u> | <u>(300,410)</u> | <u>1,404,465</u> |
| Ending fund balances | <u><u>2,020,977</u></u> | <u><u>(389,844)</u></u> | <u><u>1,631,133</u></u> |

| | Proprietary Fund Type | | |
|-------------------------|-----------------------|----------------------|----------------------|
| | Enterprise | | |
| | <u>Cash</u> | <u>Accrual</u> | <u>Accrual</u> |
| | <u>Basis</u> | <u>Adjustments</u> | <u>Basis</u> |
| | \$ | \$ | \$ |
| Revenues | 268,382 | 16,336 | 284,718 |
| Expenditures | <u>262,885</u> | <u>22,527</u> | <u>285,412</u> |
| Net | 5,497 | (6,191) | (694) |
| Beginning fund balances | <u>31,558</u> | <u>38,427</u> | <u>69,985</u> |
| Ending fund balances | <u><u>37,055</u></u> | <u><u>32,236</u></u> | <u><u>69,291</u></u> |

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functions.

Other Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

| | Management | Student Activity | Physical Plant and Equipment Levy | Public Education and Recreation Levy | Total |
|--|----------------|------------------|-----------------------------------|--------------------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 25,593 | 133,884 | 115,550 | 8,092 | 283,119 |
| Property tax receivable: | | | | | |
| Current year | 1,442 | - | 694 | 283 | 2,419 |
| Succeeding year | 130,000 | - | 59,226 | 23,246 | 212,472 |
| Total assets | <u>157,035</u> | <u>133,884</u> | <u>175,470</u> | <u>31,621</u> | <u>498,010</u> |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | - | - | - | - | - |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 130,000 | - | 59,226 | 23,246 | 212,472 |
| | <u>130,000</u> | <u>-</u> | <u>59,226</u> | <u>23,246</u> | <u>212,472</u> |
| Fund equity: | | | | | |
| Unreserved, undesignated fund balance | 27,035 | 133,884 | 116,244 | 8,375 | 285,538 |
| | <u>27,035</u> | <u>133,884</u> | <u>116,244</u> | <u>8,375</u> | <u>285,538</u> |
| Total liabilities and fund equity | <u>157,035</u> | <u>133,884</u> | <u>175,470</u> | <u>31,621</u> | <u>498,010</u> |

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

| | Management | Student Activity | Physical Plant and Equipment Levy | Public Education and Recreation Levy | Total |
|---|------------|------------------|-----------------------------------|--------------------------------------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 119,849 | - | 58,930 | 23,716 | 202,495 |
| Other | 992 | 310,060 | 26,051 | 27 | 337,130 |
| Total revenues | 120,841 | 310,060 | 84,981 | 23,743 | 539,625 |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 29,435 | - | - | - | 29,435 |
| Co-curricular instruction | - | 314,600 | - | - | 314,600 |
| Support services: | | | | | |
| Administration services | 12,266 | - | - | - | 12,266 |
| Plant operation and maintenance | 45,716 | - | - | 4,773 | 50,489 |
| Student transportation | 23,158 | - | - | - | 23,158 |
| Non-instructional programs: | | | | | |
| Food service operations | 213 | - | - | - | 213 |
| Other expenditures: | | | | | |
| Facility acquisition and construction services | - | - | 294,588 | 19,240 | 313,828 |
| Total expenditures | 110,788 | 314,600 | 294,588 | 24,013 | 743,989 |
| Excess (deficiency) of revenues over (under) expenditures | 10,053 | (4,540) | (209,607) | (270) | (204,364) |
| Fund balances beginning of year | 16,982 | 138,424 | 325,851 | 8,645 | 489,902 |
| Balance end of year | 27,035 | 133,884 | 116,244 | 8,375 | 285,538 |

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|-----------------------------|---------------------------------|----------|--------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Drama/Thespians | 6,512 | 1,830 | 1,098 | 7,244 |
| Speech | 590 | 293 | 364 | 519 |
| Vocal Music | 3,509 | 610 | 800 | 3,319 |
| Band | 1,593 | 1,784 | 3,011 | 366 |
| Middle School Instrumental | 610 | 667 | 1,212 | 65 |
| Athletic | 10,898 | 102,763 | 114,062 | (401) |
| Talented and Gifted MS | 2,470 | 11,520 | 12,493 | 1,497 |
| Class of 2006 | 6,134 | 16,276 | 15,139 | 7,271 |
| Cheerleaders | 3,324 | 5,461 | 7,014 | 1,771 |
| Woodcraft Corporation | 232 | - | (1) | 233 |
| MS Theme Day | 13 | 636 | 560 | 89 |
| Class of 2007 | 110 | 14,273 | 7,467 | 6,916 |
| Middle School Vocal Music | 754 | 230 | 459 | 525 |
| Class of 2005 | 5,429 | - | 5,429 | - |
| Elementary Activities | 11,597 | 4,906 | 1,816 | 14,687 |
| Parent/Educator Partnership | 7,872 | 30,506 | 27,181 | 11,197 |
| Chess Club | 282 | - | - | 282 |
| FCCLA | 919 | 660 | 764 | 815 |
| Foreign Students | 640 | - | - | 640 |
| Technology Club | 759 | 175 | 369 | 565 |
| Comet Café | 2,371 | 2,976 | 3,120 | 2,227 |
| Library Club | 5,455 | 7,205 | 11,523 | 1,137 |
| Electrathon | 134 | - | - | 134 |
| Interest | 12,818 | 1,663 | 386 | 14,095 |
| Letterwinners | 5,693 | 10,605 | 7,557 | 8,741 |
| Little League | (854) | 5,127 | 2,847 | 1,426 |
| Yearbook 2005 | - | 26,081 | 15,624 | 10,457 |
| National Art Honor Society | 456 | - | - | 456 |
| MS Athletic | 7,161 | 18,872 | 21,731 | 4,302 |
| Class of 2008 | - | 175 | 108 | 67 |
| MS Conflict Managers | 121 | - | - | 121 |
| Middle School Reading | - | 267 | 267 | - |
| National Honor Society | 329 | 974 | 224 | 1,079 |
| Padlock | 330 | 188 | 229 | 289 |
| Student Council | 4,340 | 6,094 | 6,719 | 3,715 |
| Summer Concessions | 9,693 | 29,208 | 29,335 | 9,566 |
| High School Activities | 4,398 | 3,636 | 1,034 | 7,000 |
| Yearbook 2004 | 9,198 | 1,561 | 10,759 | - |
| STOPP | 100 | - | 49 | 51 |
| MS Activities | 12,434 | 2,838 | 3,851 | 11,421 |
| Total | 138,424 | 310,060 | 314,600 | 133,884 |

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source

All Governmental Funds

For the Last Four Years

| | Modified Accrual Basis | | | |
|------------------------------|------------------------|------------------|------------------|------------------|
| | 2005 | 2004 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Local sources: | | | | |
| General | 2,104,745 | 2,070,347 | 2,112,348 | 1,900,226 |
| Capital projects | 230,541 | - | - | - |
| Special revenue/debt service | 610,441 | 736,472 | 719,878 | 696,892 |
| | <u>2,945,727</u> | <u>2,806,819</u> | <u>2,832,226</u> | <u>2,597,118</u> |
| State sources: | | | | |
| General | <u>2,369,727</u> | <u>2,180,190</u> | <u>2,264,328</u> | <u>2,337,078</u> |
| Federal sources: | | | | |
| General | <u>119,713</u> | <u>131,944</u> | <u>119,551</u> | <u>127,461</u> |
| Total | <u>5,435,167</u> | <u>5,118,953</u> | <u>5,216,105</u> | <u>5,061,657</u> |

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
BCLUW Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the BCLUW Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BCLUW Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCLUW Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of BCLUW Community School District and other parties to whom BCLUW Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BCLUW Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

July 28, 2005

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Disbursements for the year ended June 30, 2005, did not exceed the certified budget amounts in any of the four expenditure functions.

05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E Business Transactions - No business transactions between the District and District officials or employees.

05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

